



by Mark Knold

UTAH'S ECONOMY

LOOKING FORWARD AND BACK

As usually happens when a new year is upon us, we look back and summarize the old one, and also look forward to the new. How was the year 2004 economically in Utah? Also, what can we expect as we move forward into a new year? Those questions are the focus of this article.

The year 2004 is now in the books. Or is it? Some of the information to be gathered about that year is still ahead of us. For example, at the time of this article's writing, the "official" employment information for the second half of the year is still not available — only preliminary information is. So the employment information reported here is subject to further revisions.

Having said that, the results for the first half of the year lead us to say that 2004 was a breakout year for Utah.

It was a breakout from the three-year economic doldrums that corresponded with the national recession and its aftermath. Since 1950, Utah's economic performance has averaged a yearly job growth rate of 3.3 percent—until 1997. Seven years of not achieving our potential is almost akin to a depression in Utah. The previous three years have been particularly bad. But a new birth of economic expansion emerged in 2004.

Was 2004 a year that matched our growth potential? No, at least not for the entire year's average. But the survey data that gives us some picture of the year's second half offers encouragement. The average growth rate for the entire year will probably come in around 2.5 percent. But during the second half of the year, monthly year-over employment increases were at or above the 3.3 percent historical average. In other words, there was an employment growth trend all year, and it surpassed the long-term average in the year's second half.

If that information holds, does that mean 2005 will be an entire year above the 3.3 percent average? Hopefully, but it is by no means guaranteed. Why? High oil prices. Since the 1970s, when the price of a barrel of oil began to fluctuate, all sharp oil price spikes have been followed by a national recession. If that patterns holds, then the nation is due for another recession. In the second half of 2004, oil prices have risen by 60 percent. That qualifies as a sharp oil price spike, which could suggest a coming national recession.

But a national recession does not guarantee a Utah recession, or even a Utah economic slowdown, for that matter. Outside of the just-completed national recession, Utah has ridden right over many of the nation's recessions, even exceeding the 3.3 percent average in some of those recessions. That could happen again in 2005. Strong internal demographic pressures built up in Utah during the past recession—rather like winding a spring tight and then letting it fly. The pressures within that spring may be strong enough to push Utah up and over another national recession.



**Prediction for 2005:
2.4 percent job growth**